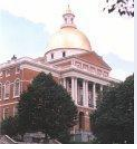


Executive Office of Education

One Ashburton Place
Room 1403
Boston, MA 02108

FY2012 *Budget Hearings*

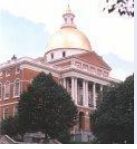
Paul Reville, Secretary of Education
December 21, 2010
Worcester



FY2012 Budget Hearings

Agenda:

- Introduction
- Brief Presentation
- Comments from the Public



FY2012

There are 3 main drivers that impact the state budget next year:

1. *Total Revenue Collections*

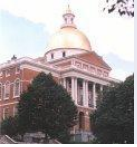
- Tax revenue estimate based on collections to-date in FY11
- FY12 consensus revenue estimate, based on economic picture ahead for Massachusetts

2. *Unavoidable Spending Pressures*

- From year-to-year, the state faces increased cost pressure for liabilities such as pensions and debt service
- This will require further efforts to control costs and reduce spending

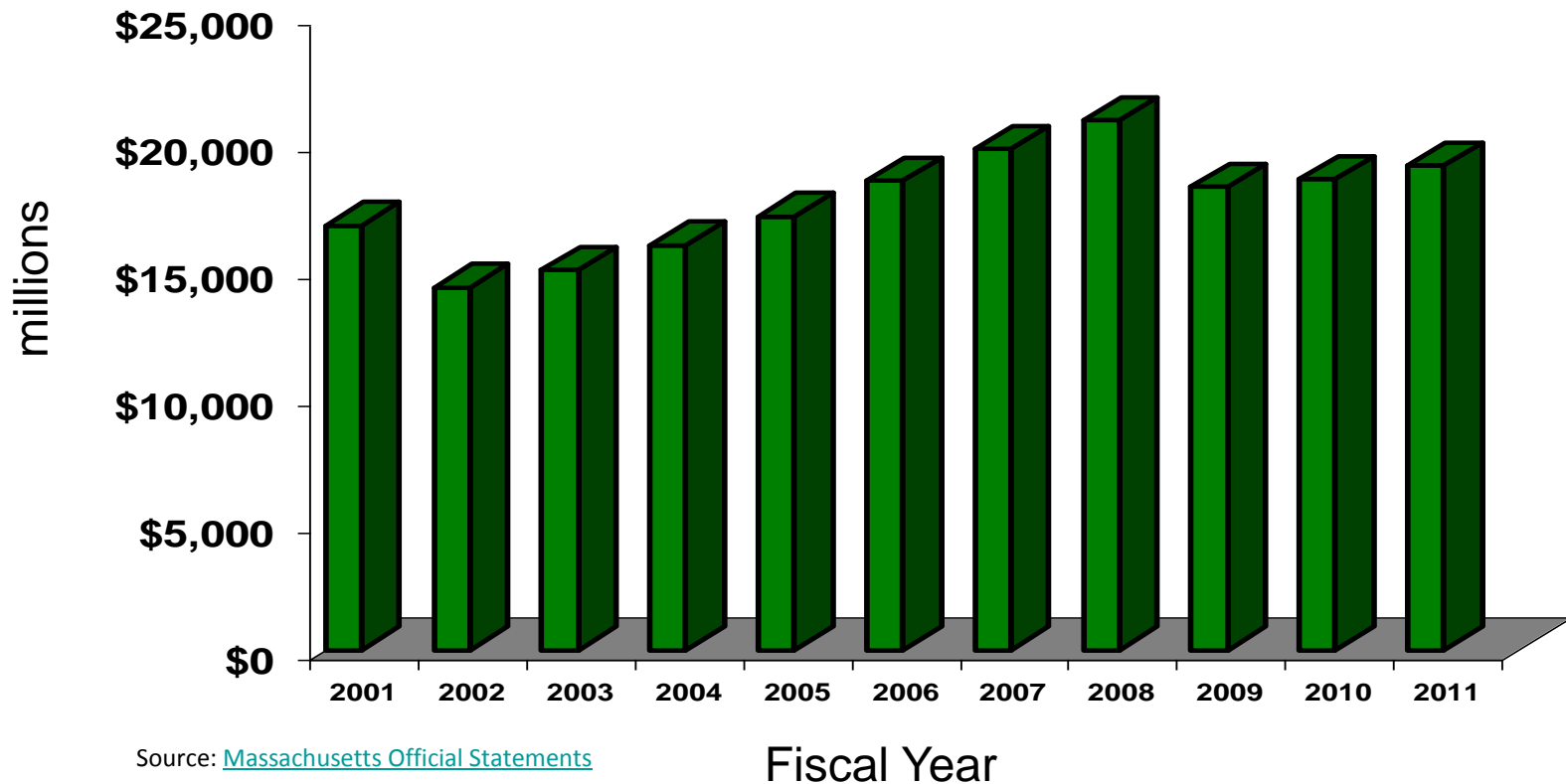
3. *Loss of One-Time/Short-Term Resources*

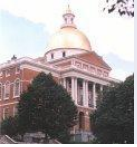
- FY11 relies on about \$2 billion of one-time resources, including \$1.5 billion in ARRA-related federal stimulus funding to the Commonwealth that will not exist next fiscal year
- These resources, while essential in mitigating pressure on safety net programs during the downturn, will not be available to states beginning in FY2012



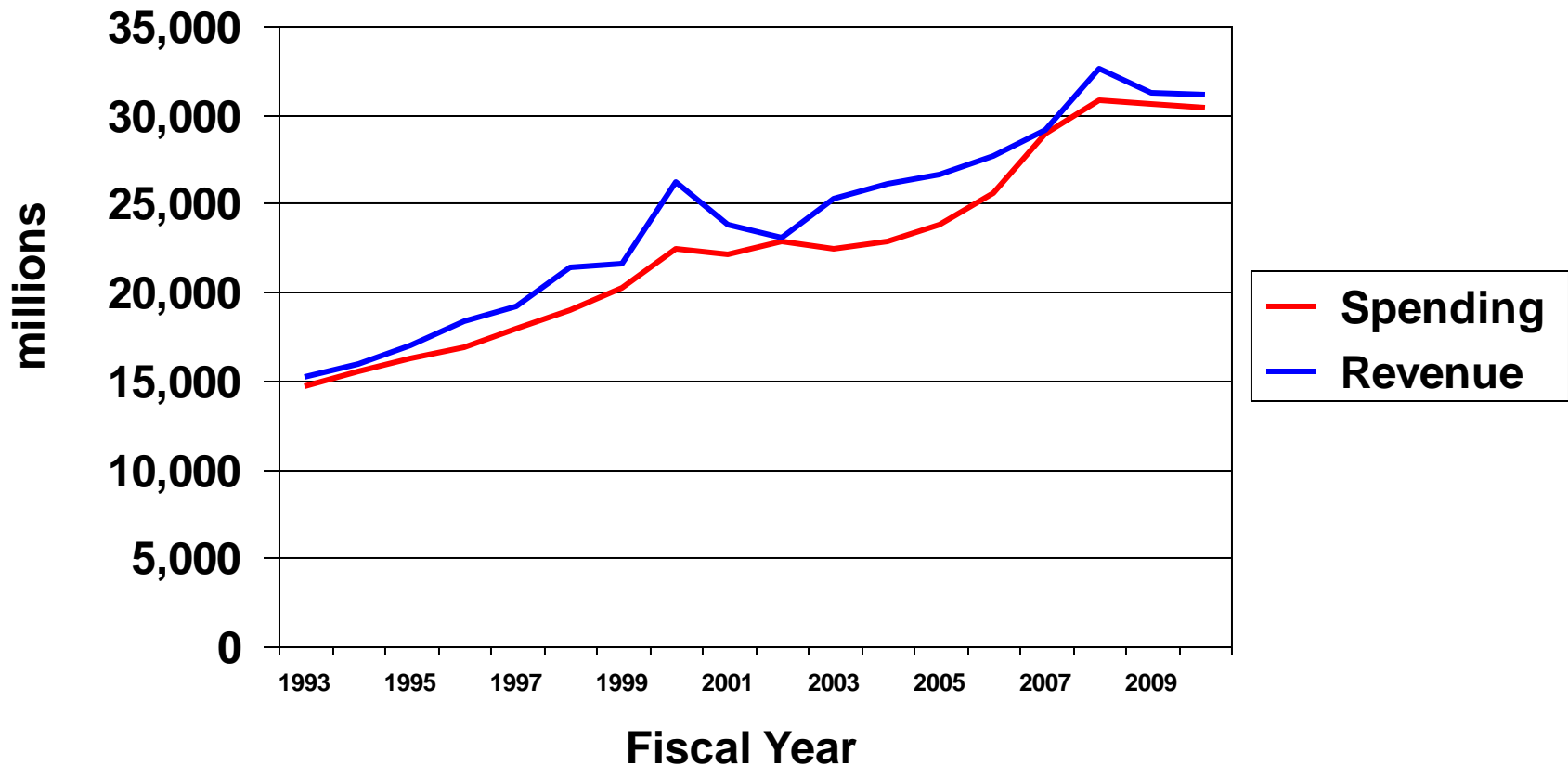
Tax Revenues Recovering:

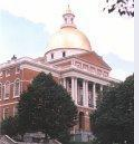
But still remain below FY2008 levels





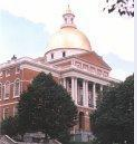
State Spending and Revenue History 1993 - 2010





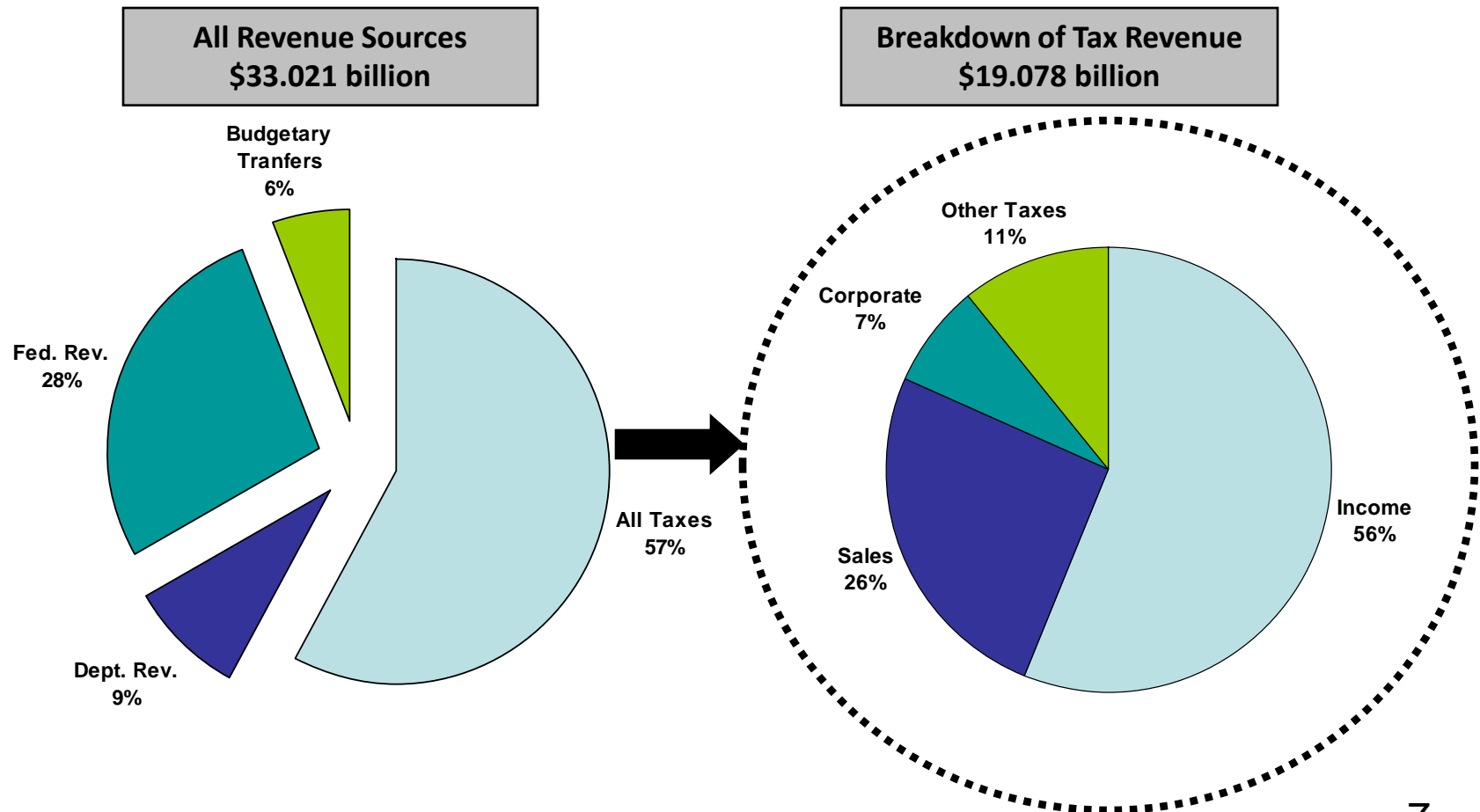
Sound Fiscal Management:

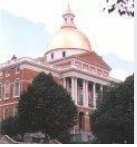
- *Since the start of the crisis, the Administration has already solved for deficits totaling nearly \$13 billion.*
- *We have used a balanced approach of reductions, revenues and rainy day and stimulus funds to close several budget gaps.*
- *Over the last several years spending growth has been constrained to reflect available resources.*
- *Even though revenues started to grow in fiscal year 2011, revenue collections historically lag the national economic growth and will remain moderate over the next two fiscal years.*
- *Because rainy day and federal stimulus funds are running out, our challenge will be even greater in fiscal year 2012.*



BACKGROUND:

How do we pay for state services?

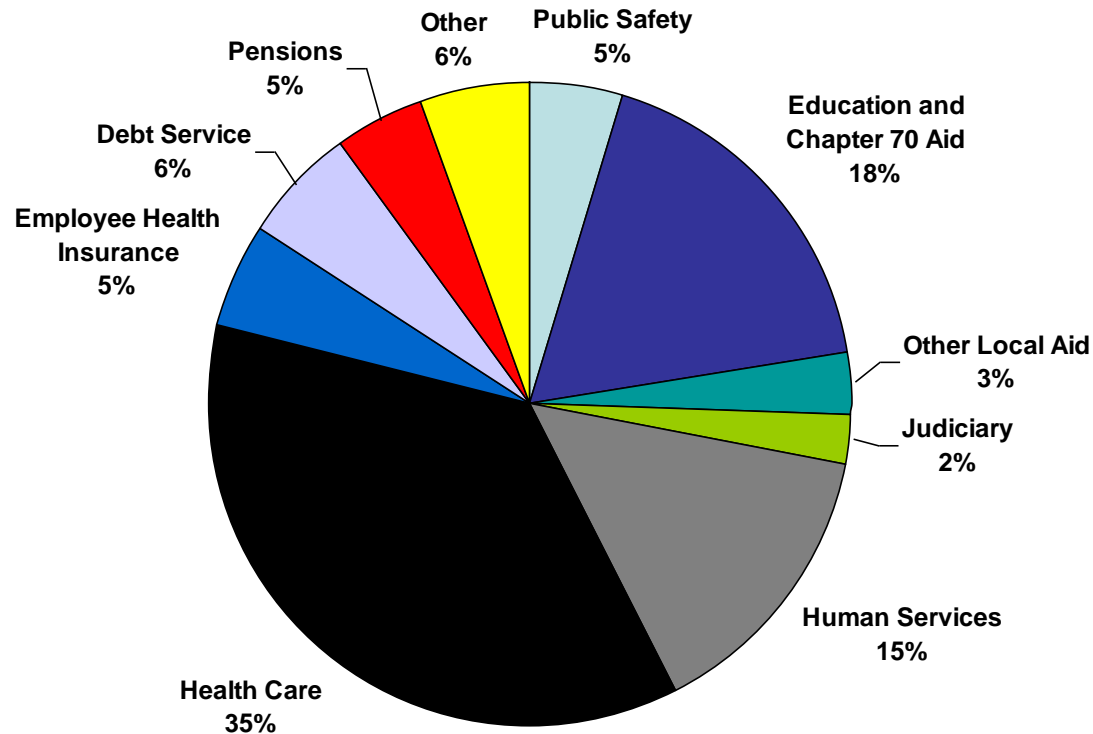




BUDGET OVERVIEW

What do we spend state dollars on?

FY2011 Estimated Spending by Major Category

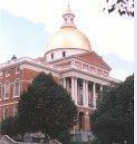


FY11 Estimated Spending:

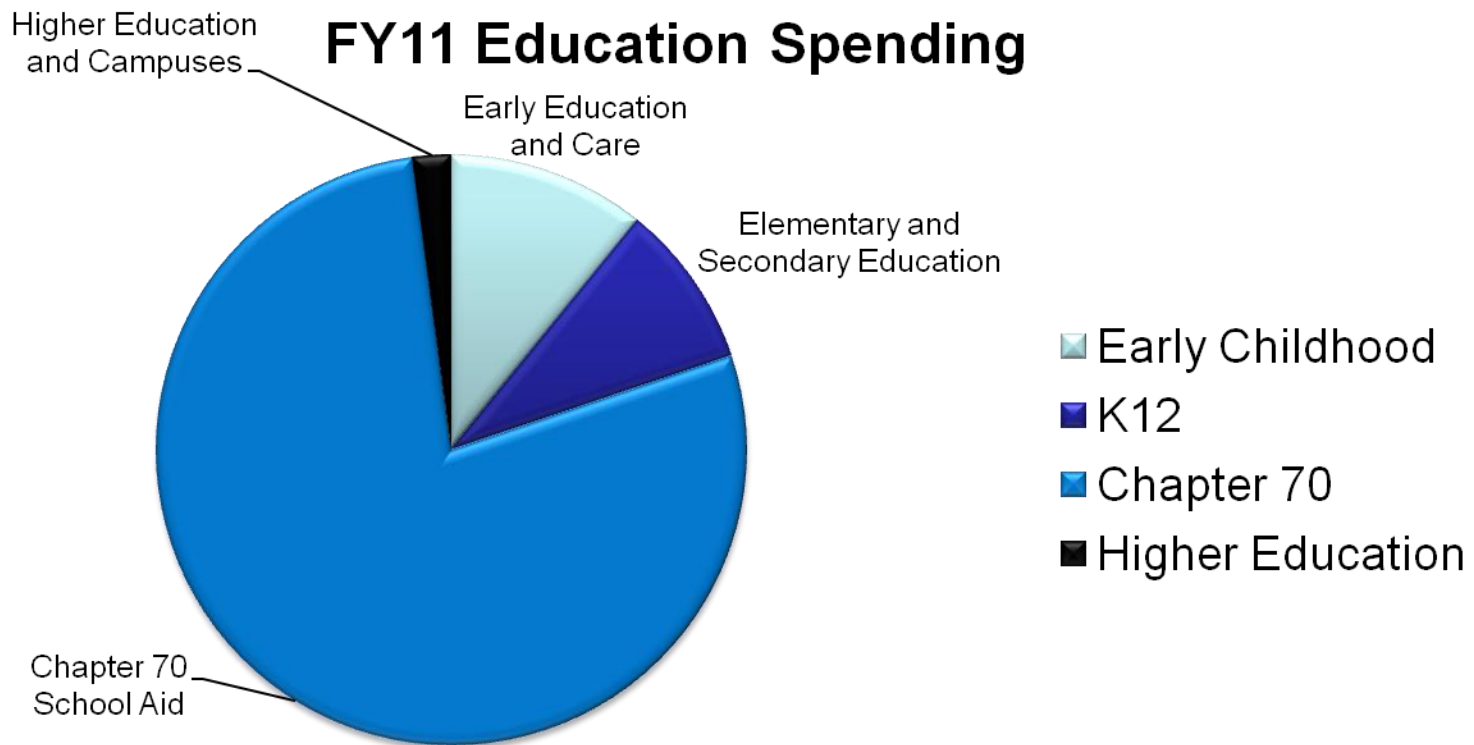
\$31.973 billion

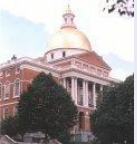
"Other" Includes:

- Environmental
- Housing and Economic Development
- Labor and Workforce
- Administration and Finance
- Transportation
- Constitutionals and Independents



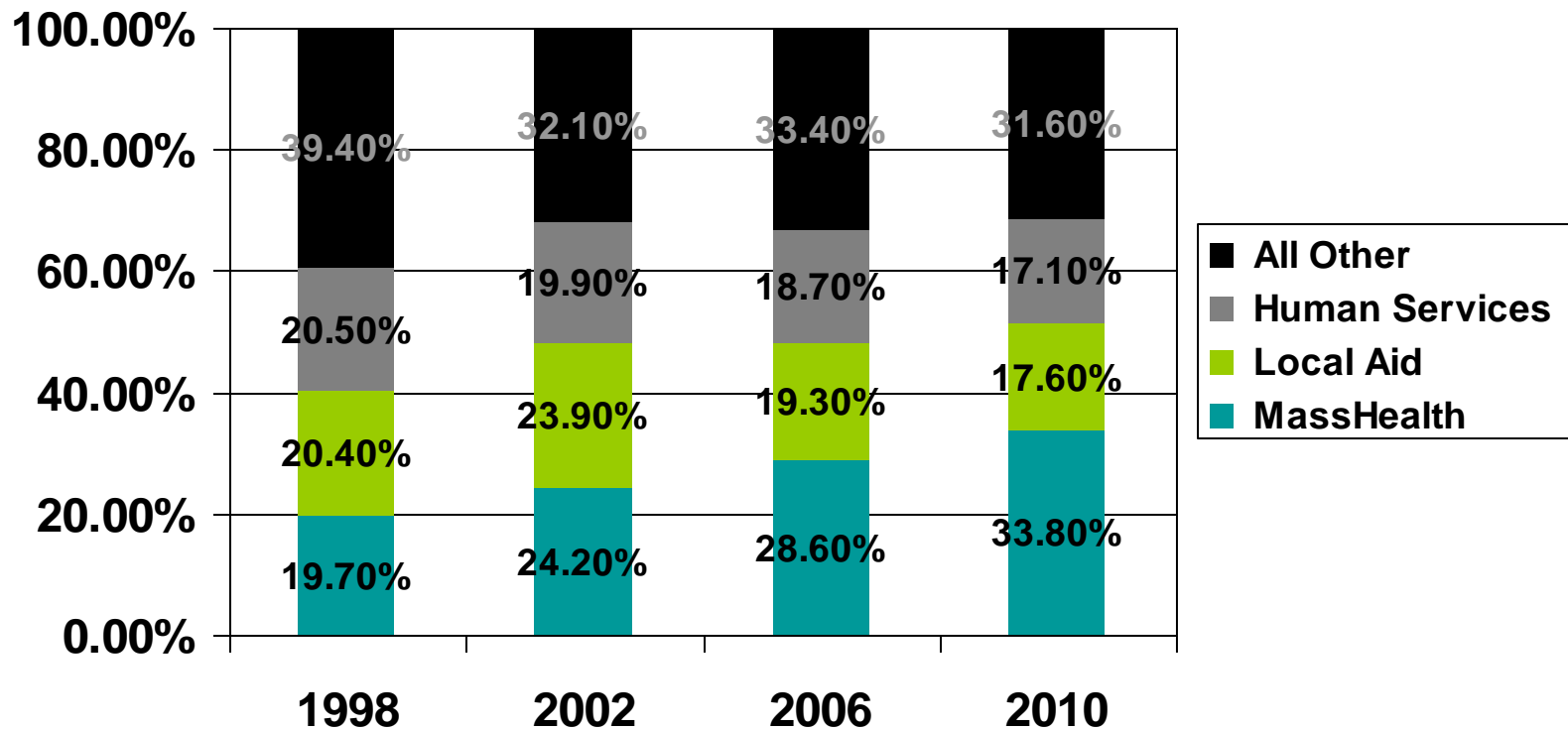
BUDGET OVERVIEW

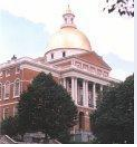




BUDGET OVERVIEW

What do we spend state dollars on?

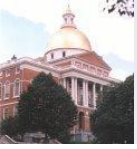




BUDGET OVERVIEW

Increased cost pressure in the state's largest health care program

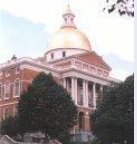
- Massachusetts, like most of the 50 states, has faced continued cost pressure in its Medicaid program (MassHealth).
- In addition, the economic downturn has increased the number of Mass residents in need of state-funded health care services.
- As MassHealth has grown as a percent of the state's operating budget, the share of funding for other programs across state government has needed to be reduced.



National Picture *Shared Experience*



- Virtually every state is struggling to balance their budgets as federal stimulus aid ends and pensions and other liabilities add spending pressure to their annual budgets.
- States are managing through their fiscal challenges through reforms and efficiencies across a number of areas, including: corrections, education, employee costs, shared services, privatization and sales of assets, and tax expenditures.
- Massachusetts will, similarly, need to continue efforts to reform and innovate as well as control costs and spending in FY2012 and beyond in order to live at projected revenues.



Governing Through Fiscal Challenges:

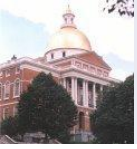
The Reform Agenda

In this crisis, we have changed the way government does the people's business, including:

- ***Pension Reform:*** established new practices to prevent abuse.
- ***Transportation reform:*** a new consolidated agency
- ***Straightforward budgeting:*** significantly reduced earmarked funding in the state budget and enhanced transparency for the benefit of the public.
- ***Consolidations of services:*** IT consolidation to coordinate services, contracting and eliminate duplicative functions.
- ***Energy Reform:*** strengthened the state's energy purchasing and procurement policies, generating savings and more sustainable practices
- ***Procurement:*** leveraged state buying power to lower costs of state agencies and their partners

We will continue our reform agenda, including:

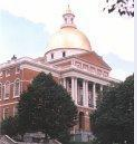
- *The next phase of pension reform*
- *Further efforts to support municipalities*
- *More to come....*



Focus on Education

Education is moving forward despite fiscal constraints:

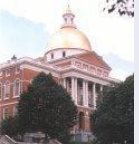
- Academic achievement
- Record Investment in Education
- Governor's Achievement Gap Act of 2010
 - Innovation Schools
 - Charter School Expansion
 - School Turnaround Efforts
- Readiness Centers



Focus on Education

Massachusetts a national leader in Education Reform:

- Race to the Top
- Common Core & Assessment
- Promise Neighborhoods
- Teacher Incentive Grant



Conversation

Considering the challenges, reform strategies and progress:

- What are your priorities for FY12?
- Where should we focus our resources?